Ontario

2006 ONTARIO BUDGET

BUILDING OPPORTUNITY

The Honourable Dwight Duncan
Minister of Finance

Budget Speech

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OUR PLAN

Mr. Speaker, I am proud to present the McGuinty Liberal government's 2006–07 Budget.

Opportunity is the foundation on which our society — and our economy — is built.

Giving each Ontarian the opportunity to build success has always been the right thing to do.

opportunity to build success

Today, in the global economy of the 21st century, it is also the right economic strategy for our province.

Mr. Speaker, this Budget represents the next step in our plan to build opportunity.

And before I tell you about our plan, I want to provide some context.

When we came to office in 2003, we inherited a health care deficit, an education and skills deficit, an infrastructure deficit and a fiscal deficit.

In the last two and a half years, we have set about addressing each of these challenges in a planned and deliberate way.

As a result, family physicians are seeing more Ontarians. First-year medical-school spaces will increase by 23 per cent. More nurses will attend to our sick or infirm. Dozens more MRI and CT machines have been purchased for the public health system. Wait times are down for key procedures such as radiation treatment.

We have launched the most significant investment in higher education in a generation, delivering 75,000 new spaces, doubling student aid, and investing an additional $6.2 billion in improved quality, accessibility and accountability in our universities, colleges and training programs.

historic investment in postsecondary education

We've made great progress for our younger students. Half of our students in the critically important early grades of junior kindergarten to Grade 3 are now in classes of 20 or fewer.

Sixty-two per cent of Grade 3 and Grade 6 students are now meeting the provincial standard in reading, writing and math — up from a little more than half two years ago.

prudent and balanced approach

All of this has been achieved with a prudent and balanced approach that allows us to invest in our future prosperity while keeping our taxes competitive.

Mr. Speaker, the McGuinty government is on track to eliminate the fiscal deficit no later than 2008–09. A balanced budget will be achieved a year earlier in 2007–08 if the reserve is not required.

In 2005, the Ontario economy outperformed average private-sector and government projections, resulting in additional revenue. We have made a strategic and prudent choice to invest over 60 per cent of this additional money to begin paying down Ontario's infrastructure deficit.

We are on track to pay down the mortgage, but we have to make sure the foundation is fixed.

The next step in strengthening that foundation — in building opportunity — is our plan to address the infrastructure deficit.

INFRASTRUCTURE – Building a Better Ontario

Mr. Speaker, infrastructure is the schools where our children learn, the hospitals where we are treated, the public transit systems we ride, the roads we drive on, the plants that clean our drinking water and the power stations that keep our lights on.

It's how we get our goods to the world's markets and a big part of how we market ourselves to the world.

Each generation, Mr. Speaker, is called upon to build and renew our vital infrastructure.

build and renew infrastructure

Today, our focus is transportation infrastructure. Quick, reliable and safe transportation is vital to our economic success. It is also essential to our quality of life.

It means the opportunity for our economy to be more competitive by moving goods more efficiently.

It means the opportunity for Ontarians to travel more safely on improved roads and bridges.

Mr. Speaker, that's why I'm proud to announce Move Ontario, a new $1.2 billion investment in public transit, municipal roads and bridges that will build opportunity for each of us.

This initiative has the potential to create up to 27,000 new jobs.

The centrepiece of Move Ontario is a landmark, $838 million investment to enable the expansion and modernization of public transit in the Greater Toronto Area (GTA).

landmark Move Ontario investment

This investment can help build a new subway into York Region and new projects to fight gridlock and speed travel across Brampton and Mississauga.

The City of Toronto and York Region will be able to use $670 million to extend the subway to the Vaughan Corporate Centre at Highway 7.

York Region's population has grown by over 50 per cent in the last 10 years and the City of Toronto has said this was its first choice for expansion.

subway in the 905

For the first time in our history, subway service will be able to extend beyond regional boundaries, from the 416 to the 905 — building opportunity for everyone in the GTA.

We are also providing $200 million in additional support for the City of Toronto's existing subway operations.

The Province will provide $65 million to Mississauga. That city will be able to develop its Transitway — a dedicated bus line along Highway 403 and Eglinton Avenue.

Brampton will benefit from $95 million. It will be able to build its AcceleRide project, providing express bus service through dedicated bus lanes within the city.

Mr. Speaker, I am delighted to have Mayor Miller, Mayor McCallion, Mayor Fennell and York Regional Chair Fisch — our partners in this great undertaking — here today in the gallery.

The Minister of Transportation will introduce legislation this year to establish the Greater Toronto Transportation Authority (GTTA).

The GTTA could promote seamless movement of people and goods, and could oversee an integrated fare card for use across all the GTA transit systems.

new era in public transit

These investments are the beginning of a new era in public transit in the GTA. I know that all members of this house join me in urging the federal government to participate fully in this opportunity.

Mr. Speaker, our vision for transportation infrastructure extends across the province.

In keeping with our commitment to municipalities, in October we will again increase the share of gas tax for public transit, to two cents per litre.

Over five years, this program will have delivered more than $1.4 billion to municipalities.

As of today, municipalities will be able to use the gas tax funding for transit operations as well as for capital.

Mr. Speaker, roads and bridges are crucial to this entire province.

roads and bridges crucial

Through our five-year ReNew Ontario plan, the government will provide a total of $3.4 billion to improve the provincial highway network in southern Ontario and $1.8 billion for highways in northern Ontario.

I am proud to announce today that Move Ontario will provide an additional $400 million in immediate one-time funding, with special emphasis on rural and northern municipalities, for road and bridge repair and upgrading.

Municipalities will determine their own road and bridge priorities. This funding is enough to repair up to 800 local bridges or resurface 3,000 kilometres of municipal roads — about the distance from Thunder Bay to Ottawa and back again.

Ultimately, this will mean safer roads and more reliable movement of goods and people across Ontario.

Timely delivery of goods is vitally important to the province, and exports are the lifeblood of our economy. Ontarians need to know that their borders are safe and secure while allowing the free flow of goods.

More than 70 per cent of the value of Canada–U.S. road trade is carried on Ontario highways. That's why Ontario's border crossings must be a federal priority too.

border crossing priority

We've already made highway improvements near our border crossings to help with traffic flow and safety concerns.

We'll be moving forward with the federal government on our $300 million investment in the Windsor Gateway and the $323 million investment in the Niagara and Sarnia crossings.

Efficient borders are important to people and businesses, Mr. Speaker, and so is electricity.

ambitious building program

This government has taken on one of the most ambitious building programs in North America for new electricity generation. Over the course of three years, the government has initiated dozens of projects to provide, together with our conservation efforts, about 11,000 megawatts of supply over the next five years.

That is enough power for about five million homes.

Hydro One is investing more than $3 billion over the next five years to sustain, expand and reinforce its transmission and distribution systems.

We have also announced a three-year extension of stable pricing for electricity provided by Ontario Power Generation.

Our pricing policy saved electricity consumers about $740 million in 2005 alone.

culture of conservation

This government is committed to creating a culture of conservation.

Our goal is to achieve a 10 per cent reduction in the government's electricity use by 2007 and we are encouraging consumers to reduce their use of electricity with the installation of 800,000 smart meters by 2007.

Be it through new generation or conservation, the McGuinty government will keep the lights on.

HEALTH – Healthier Ontarians

Mr. Speaker, medicare defines us as a province and as a nation.

It's also a unique advantage when it comes to attracting jobs and investment.

It's why we've led the fight to prevent illness, including the ban on smoking in all enclosed public and work spaces; it's why we've provided 2.1 million childhood vaccinations free of charge; it's why we've expanded access to doctors, nurses and other health care professionals; and it's why we've reduced wait times.

We are investing an additional $1.9 billion in 2006–07 and our total additional cumulative investment in health will be $34.4 billion over five years.

Healthier Ontarians

insulin pumps for children

Mr. Speaker, we have to do more. That's why I am pleased to announce that Ontario will now help families living with Type 1 diabetes by funding insulin pumps and related supplies for about 6,500 children by 2008–09. The pumps will help keep these children healthier and reduce emergency-room visits.

Mr. Speaker, Terry Anne Thomson is in the gallery today. She worked tirelessly to bring this issue forward.

Mr. Speaker, I must also thank the member from Thunder Bay–Superior North, Mr. Gravelle, who, typical of the dedicated members of this house, has worked hard on this very issue.

We're also taking steps, Mr. Speaker, to prepare for the possibility of an influenza pandemic, like the avian flu.

And, for the first time in Ontario's history, we have a Minister of Health Promotion dedicated to advocating healthy living and to developing programs that prevent illness and promote wellness.

Better Access

Mr. Speaker, we now have 100 Family Health Teams (FHTs) approved in Ontario that will provide primary care to some 1.7 million Ontarians when fully operational. We are two-thirds of the way towards our goal of 150 FHTs.

more medical graduates

We have provided $27 million in 2005–06, growing to $35 million in 2006–07, to train up to 200 International Medical Graduates each and every year.

We'll be creating 104 new undergraduate medical spaces, including in Mississauga, Kitchener–Waterloo, St. Catharines and Windsor.

Wait Times

Mr. Speaker, surgical procedures are up and wait times are down.

wait times down

Ontario's dedicated health professionals have carried out over 31,000 additional surgical procedures since 2004–05, including procedures that are most needed by Ontarians: cancer surgeries, hip and knee replacements, and cataract and cardiac procedures.

- Wait times for radiation treatment are down by more than a week – an improvement of 16 per cent over last year.

- As a result of investments in MRIs and their operating hours, we've had a 42 per cent increase in the number of exams compared to 2003–04. That's over 100,000 additional exams in two years.

We have created 14 Local Health Integration Networks, which will deliver a more integrated, seamless and community-based health care system.

Health Care Infrastructure

Since we took office, we have improved community-based health care facilities, and added and improved long-term care beds to address the needs of our aging population.

new hospitals started

We have started construction at the new Regional Health Centre in Peterborough and on a major redevelopment project at the Ottawa Hospital.

In 2006–07, we will tender 11 major hospital projects in Belleville, Ajax–Pickering, London, Mississauga, Toronto, Sarnia, Hamilton, Sudbury and Sault Ste. Marie.

EDUCATION – Success for Students

Mr. Speaker, the best jobs and the most investment go to the places with the best-educated and most highly skilled workforce.

building educational opportunity

We are building educational opportunity every day.

As planned, our education funding will increase another $424 million in 2006–07.

Ontario's Best Start plan to provide 25,000 new day-care spaces and increase subsidies for thousands of families was based on an early learning agreement with the federal government. Regrettably, the federal government has terminated the agreement, taking away $1.4 billion intended for child care spaces and subsidies for working families.

The Province has already provided sufficient funding to create over 14,000 new spaces. We will use the final federal payment to provide $63 million per year to support child care.

We are building opportunity for school-age children:

- We've funded an additional 4,300 elementary and high school teachers over the past two years.
- More than half our schools have smaller primary class sizes.
- Literacy and math scores for Grades 3 and 6 students have risen to an average of 62 per cent from 54 per cent just two and a half years ago.
- 600 specialist teachers are in classrooms to help struggling students and to teach physical education, music and the arts.

- We've invested $61 million in extra funding for one million new textbooks and library resources.

Mr. Speaker, the centrepiece of last year's Budget was the historic Reaching Higher plan for postsecondary education — a cumulative $6.2 billion of new investment by 2009–10.

doubling student aid

We are doubling spending on student aid.

We have reintroduced upfront grants and will provide them to 60,000 students this coming school year — up from 32,000 last year.

We will guarantee that students who receive government loans of more than $7,000 per year will have the excess amount forgiven.

We will create about 75,000 new spaces for students.

opportunity to achieve potential

Ontario will be at its best only when every Ontarian has the opportunity to achieve his or her full potential.

Reaching Higher is delivering real positive change for 500,000 students. Our future depends on it.

OPPORTUNITY FOR ALL

Mr. Speaker, when we speak of opportunity for every Ontarian, we mean *every* Ontarian.

In 2006–07, we will be increasing our spending to support Ontario's at-risk youth and vulnerable adults and families by $218 million — to a total of $10.3 billion.

We have already made much-needed improvements to social assistance. Today I'm announcing that we're permanently flowing through increases to the National Child Benefit Supplement for 2004, 2005 and 2006.

In 2006–07, we will increase social assistance basic benefits and maximum shelter allowances by another two per cent.

increasing basic benefits

These improvements will mean that a single-parent family with two children will receive $1,620 more in 2006–07 than they would have had in 2003–04. That's 15.7 per cent more, Mr. Speaker.

In 2006–07, we will provide almost $80 million more in services for people with developmental disabilities. We have also provided more funding to help women escape domestic violence and additional services to protect the homeless.

At-Risk Youth

Mr. Speaker, when it comes to stopping guns and gangs, we need to be tough on those who choose crime and to be tenacious when it comes to giving our youth every opportunity to choose a better path.

Many youth in high-needs communities require support and encouragement to complete high school. The government's Learning to 18 strategy will help young people stay and succeed in school.

support and encouragement for youth

As the Premier and Mike "Pinball" Clemons announced last month, a new Youth Challenge Fund will provide up to $45 million in new resources for community-led programs targeted to young people.

ECONOMIC GROWTH – Investing in Ontario

Jobs and Skills

Jobs and Skills Renewal Strategy

Mr. Speaker, Ontario's economy has created almost 200,000 net new jobs since we took office, about 90 per cent of them full time. They were also primarily in higher-paying occupations.

Our task is to ensure that Ontarians are better prepared for great jobs.

That's why, in addition to Reaching Higher, we're creating a $2.1 billion Jobs and Skills Renewal Strategy, a comprehensive plan to maintain Ontario's skills advantage.

Unemployed Ontarians and the working poor will have access to new training and employment supports and opportunities.

Apprentices and other skilled workers will receive more workforce training.

Social assistance recipients will get the work opportunities and other employment services they need.

New Canadians will have access to more and better language classes and bridge training programs.

At-risk youth will get employment counselling and participate in job placement and training programs.

Mr. Speaker, this strategy will provide more opportunity for more Ontarians to participate fully in our economy.

Research and Innovation

investing in research talent

Mr. Speaker, we know that the jurisdiction that is the first to come up with new ideas and the first to develop them into new products and services will have a prosperous economy and a high standard of living for all its citizens.

That's why we created the Ministry of Research and Innovation, led by Premier McGuinty. Through this ministry, we will be investing nearly $1.7 billion in research and commercialization over five years to 2009–10.

It's why we're investing in research and innovation talent, with three new Innovation Awards programs, and investing $25 million in the Premier Summit Awards for excellence in medical research.

It's why we're providing $100 million for foundation science through two leading-edge research facilities: the Perimeter Institute for Theoretical Physics in Waterloo and the University of Waterloo's Institute for Quantum Computing.

Healthy Business Climate

Mr. Speaker, Ontario's economic strength also comes from the diversity of our economy.

We are home to Canada's largest manufacturing sector; we are home to the continent's leading auto sector; we are home to the country's leading information and communications technology sector; and we are the hub of Canada's financial services sector, which underpins economic activity across the country.

To help the financial services sector flourish, we will continue with regulatory reform that fosters fair and effective financial markets.

To encourage this diverse economy, we must ensure the vitality of our investment climate.

A competitive tax system is essential to attract business investment and encourage economic growth.

Mr. Speaker, this Budget has no new taxes or tax increases.

In our 2004 Budget, the government announced plans to enhance Ontario's investment climate by gradually phasing out the Province's capital tax, which taxes investment rather than business profits.

So, today, Mr. Speaker, we are proposing a five per cent capital tax rate cut – starting on January 1, 2007, a full two years earlier than planned.

If the fiscal plan allows, we intend to eliminate the capital tax in 2010.

Increased capital investment will lead to more and better jobs.

Entertainment and Creative Cluster

Mr. Speaker, one of the many success stories of Ontario's diverse economy is the entertainment and creative cluster.

This cluster has great potential to grow and create jobs, and it boosts economic growth by attracting tourists, businesses and investors.

Today, we're proposing to extend the enhanced 18 per cent tax credit rate for film production services to March 2007.

We're proposing to expand eligibility for the Ontario Interactive Digital Media Tax Credit and increase the credit from 20 per cent to 30 per cent for smaller businesses.

supporting entertainment and creative cluster

We're establishing an Entertainment and Creative Cluster Partnerships Fund — $7.5 million over the next three years for skills development, product development and marketing.

We're supporting the 2007 Toronto International Arts Festival, which will highlight some of Ontario's cultural landmarks.

And we're providing a further $49 million to support capital projects at the Royal Ontario Museum, Art Gallery of Ontario, National Ballet School, Gardiner Museum of Ceramic Art, Royal Conservatory of Music and Canadian Opera Company.

Manufacturing

Mr. Speaker, our manufacturing sector accounts for about 17 per cent of Ontario's employment and 21 per cent of our gross domestic product (GDP).

In 2005, Ontario's manufacturing sector came under increased competitive pressure due to a higher Canadian dollar and higher oil costs.

industry rising to challenge

In Ontario, industry is rising to the challenge: production and exports are up, productivity is higher and investment is increasing.

Mr. Speaker, Ontario's strategy for automotive investment has leveraged almost $6 billion in investment in this sector, including the new Toyota plant in Woodstock.

Today, Mr. Speaker, we are proud to propose a doubling of our maximum retail sales tax rebate for the purchase of hybrid electric vehicles to $2,000.

Our $500 million Advanced Manufacturing Investment Strategy, our Reaching Higher plan, our investments in infrastructure, innovation and commercialization, and the elimination of the capital tax will help this sector maintain its role as a mainstay of our economy.

Agriculture

Mr. Speaker, Ontario's farming sector employs about 90,000 people and feeds our cities and towns.

While prospects for the sector overall are positive, some farmers face serious challenges.

helping Ontario's farmers

Ontario farmers need our help, and they are receiving it with more than $800 million over the last three years for farm income stabilization and support programs. This includes our recent $125 million announcement to help grain and oilseed farmers, horticulture farmers and the livestock industry.

Research is the most cost-effective support for agriculture. So, over the next five years, $2.5 million will be awarded to outstanding farm innovators – the first awards will be presented at the next Premier's Agri-Food Summit.

I'm also announcing today $25 million for the redevelopment of the Animal Health Laboratory at the Ontario Veterinary College in Guelph to increase our capacity to research diseases like avian flu.

Strong Communities

Mr. Speaker, it is this province's communities that deliver so many of the programs and services that make a difference in people's everyday lives.

We believe in Ontario's municipalities. We've uploaded where others have downloaded.

increasing support to municipalities

We recently increased our support to municipalities for land ambulance services. The Province will spend an additional $300 million over the next three years towards a 50–50 cost share.

We've demonstrated our support for municipalities through:

- $1.2 billion in Move Ontario funding for transit, roads and bridges;
- gas tax revenues of more than $1.4 billion over five years;
- $763 million through the Ontario Municipal Partnership Fund in 2006;
- up to $2.4 billion through Ontario Strategic Infrastructure Financing Authority (OSIFA) loan commitments;
- a $298 million commitment to renew municipal infrastructure through the Canada–Ontario Municipal Rural Infrastructure Fund; and
- increasing our share of public health funding to 65 per cent this year, and to 75 per cent next year.

Northern Ontario

Mr. Speaker, northern Ontario is a region of great potential.

investing in northern Ontario

I am delighted to announce today $4 million to create a Bio-Energy Research Centre in Atikokan to conduct practical research for the province, the community and the Atikokan Generating Station.

Provincial investments in support of prosperity for northern Ontario include:

- $1.8 billion over five years for the upgrading and expansion of northern highways under the Northern Ontario Highway Strategy; and
- $259 million in low-cost loans from OSIFA to 47 northern municipalities for upgrading local infrastructure.

To help support the forestry industry in improving its competitiveness, in 2005 the government announced $680 million in assistance.

We recently announced a number of new investments totalling $220 million over three years that will help Ontario forestry companies secure and create jobs.

Mineral exploration spending in Ontario has nearly tripled since 2001 to a level higher than in any other province or territory. There is a new diamond mine opening – the first in Ontario's history.

I'm pleased to announce that this year we are investing $10 million in Sudbury's Centre for Excellence in Mining Innovation.

Aboriginal Peoples

Mr. Speaker, we're announcing new initiatives for Aboriginal Peoples, many of whom live in northern Ontario.

We're providing $6 million to First Nations and rural libraries to help strengthen literacy and promote lifelong learning.

First Nations library support

And I'm very proud to announce that we're providing over $800,000 for the Lieutenant Governor's summer camp initiative that encourages literacy.

RESPONSIBLE MANAGEMENT

Mr. Speaker, our plan to build opportunity is working because we have been prudent fiscal managers.

We have made substantial progress on deficit reduction. We have reduced the deficit we inherited by 75 per cent.

prudent fiscal management

We have reduced the 2005–06 deficit to a projected $1.4 billion, an improvement of almost $200 million from 2004–05.

We estimate that the 2006–07 deficit will be $2.4 billion — $1.4 billion if the reserve is not needed. We are on track to eliminate the deficit by 2008–09 — a year earlier in 2007–08 if the reserve is not needed.

The performance of the economy is vital to our fiscal plan.

The Ontario economy added over 81,000 net new jobs in 2005 and we forecast another 85,000 in 2006.

Private-sector forecasters, on average, expect Ontario to see real GDP growth of 2.6 per cent in 2006 and 2007.

Though we are optimistic about economic growth in Ontario, there are always risks beyond our control, including slower U.S. economic growth, rising oil prices and the high Canadian dollar.

Our job, and it is one that we take very seriously, is to ensure that Ontario's economy is in the strongest shape possible to withstand these external challenges.

Federal Government

addressing the fiscal gap

The new federal government has expressed a willingness to address the federal–provincial fiscal imbalance. The McGuinty government is optimistic about the potential positive outcome for Ontarians.

In making our case to the federal government, we will be stressing the importance of investment in infrastructure, in shorter wait times, in postsecondary education, in early learning and child care, in our municipalities and in support to farmers and the forest industry in the way they need and deserve.

We need the federal government to help build a strong Ontario in a strong Canada by continuing to narrow the $23 billion gap between what Ontarians contribute to Confederation and what we receive back in transfers and programs.

CONCLUSION

Mr. Speaker, before I conclude I would like to thank a very dedicated team of public servants in the Ministry of Finance who have worked tirelessly to prepare this Budget. I want to express my sincere gratitude to all of them.

Mr. Speaker, the English philosopher Sir Francis Bacon once said that wise people make more opportunities than they can find.

What we found, Mr. Speaker, when we assumed office, was a health care deficit, an education and skills deficit, a fiscal deficit and an infrastructure deficit.

What we have done, Mr. Speaker, is turn these challenges into opportunities.

turning challenges into opportunities

Under our plan, and thanks to the efforts of hard-working Ontarians:

Wait times are down, and the number of nurses is up.

Dropout rates are going down and test scores are up.

With the approach we're putting in place today, commute and travel times will come down, as the quality and the quantity of our subways, roads and bridges go up.

Interest on the debt, the debt as a percentage of GDP and the fiscal deficit we inherited are all down.

And take-home pay, corporate profits, jobs and high-paying jobs are all up, up, up.

Mr. Speaker, there is much more to do, but the deficits we inherited are, one by one, being knocked down.

And the people we are privileged to serve are, one by one, being lifted up.

Their education and skills are stronger.

Their health care is stronger.

And their prosperity is stronger.

more Ontarians have a shot at success

And that means more and more Ontarians have a fair shot at success, and more and more Ontarians are finding success.

That's what happens, Mr. Speaker, when we, as the Premier says, work and grow and dream together.

That's what happens, Mr. Speaker, when we build opportunity for all.

Thank you, Mr. Speaker.

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